

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
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FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY 1999
INFO AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY NICOSIA
AMEMBASSY OTTAWA
AMEMBASSY LONDON
AMEMBASSY PARIS PRIORITY
AMCONSUL ADANA
AMCONSUL ISTANBUL
AMCONSUL IZMIR

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USEEC, USOECD

E.O. 11652: N/A
TAGS: ETRD, TU
SUBJECT: TURKISH TRADE PERFORMANCE: 1ST QUARTER 1978

REF: ANKARA 3879

1. TURKISH TRADE PERFORMANCE DURING THE FIRST QUARTER OF
1978 WAS DISAPPOINTING. EXPORTS WERE DOWN 2.4 PERCENT COMPARED
WITH 1977, WHICH WAS ITSELF A BAD YEAR FOR EXPORTS, AND
11.5 PERCENT COMPARED WITH THE 1975-1977 FIRST QUARTER AVERAGE.
IMPORTS WERE DOWN 31.5 PERCENT FROM 1977 AND 25 PERCENT FROM THE
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THREE-YEAR AVERAGE. ALTHOUGH THERE WAS A 25 PERCENT INCREASE
IN EXPORTS OF AGRICULTURAL PRODUCTS, MINERALS EXPORTS WERE OFF
22 PERCENT AND EXPORTS OF MANUFACTURED GOODS WERE DOWN ALMOST
40 PERCENT. THE DROP IN IMPORTS WAS LARGELY THE RESULT OF
TURKEY'S INABILITY TO FIND ADEQUATE FINANCING.

TURKEY - 1978 TRADE
(MILLIONS OF US \$)

MONTH	IMPORTS	EXPORTS	TRADE BALANCE
JAN	184.1	151.2	- 32.9
FEB	495.3	169.9	-325.4
MAR	283.2	159.1	-124.1
TOTAL	962.6	480.2	482.4

IN 1977 FIRST QUARTER IMPORTS WERE \$1,405 MILLION, EXPORTS 492 MILLION AND THE TRADE DEFICIT WAS \$913 MILLION.

2. EXPORTS: EXPORTS OF AGRICULTURAL PRODUCTS WERE UP 25 PERCENT, REACHING \$343 MILLION WHICH IS 72 PERCENT OF TOTAL EXPORTS. COTTON EXPORTS TOTALED \$114 MILLION, A 118 PERCENT INCREASE OVER 1977 BUT LESS THAN HALF THE \$241 MILLION EXPORTED IN THE FIRST QUARTER OF 1976. COTTON EXPORT VOLUME WAS ABOUT 99,000 TONS, UP ABOUT 190 PERCENT FROM THE 34,000 TONS EXPORTED IN 1977. TOBACCO EXPORTS WERE

DOWN ABOUT 7 PERCENT TO \$60.6 MILLION ALTHOUGH EXPORT VOLUME WAS UP 29 PERCENT TO 21,600 TONS. EXPORTS OF FRUITS, VEGETABLES AND NUTS INCREASED 5 PERCENT TO \$117 MILLION. EXPORTS OF CEREAL GRAINS (MAINLY WHEAT) WERE UP OVER 200 PERCENT TO ABOUT \$26 MILLION. WHEAT EXPORTS ARE HANDICAPPED BY THE FACT THAT SHIPPING CONSTRAINTS PREVENT MORE RAPID EXPORTS. THE BULK OF THE \$320 MILLION IN WHEAT TURKEY HAS CONTRACTED TO EXPORT BETWEEN JANUARY 1977 AND APRIL 1978 REMAINS TO BE SHIPPED.

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3. MINERALS EXPORTS WERE DOWN 22 PERCENT TO \$22 MILLION. A 60 PERCENT DROP IN EXPORTS OF CHROMIUM ORE IS PRIMARILY RESPONSIBLE FOR THE DECLINING MINERAL EXPORTS SINCE EXPORTS OF CRUDE BORAX AND MAGNESITE INCREASED BY ABOUT 4 PERCENT TO \$17 MILLION.

4. EXPORTS OF MANUFACTURED GOODS WERE DOWN ABOUT 40 PERCENT TO \$115 MILLION. THE LARGEST DECLINE IN DOLLAR TERMS WAS IN TEXTILES, OFF 33 PERCENT TO 57 MILLION. EXPORTS OF LEATHER GOODS WERE DOWN 17 PERCENT TO \$10 MILLION, CHEMICALS WERE DOWN 13 PERCENT TO \$6.5 MILLION AND GLASS/CERAMICS EXPORTS WERE OFF 30 PERCENT TO \$5.4 MILLION. THE TWO BRIGHT SPOTS IN THE MANUFACTURED GOODS SECTOR WERE THAT MACHINERY EXPORTS WERE UP 80 PERCENT TO \$4

MILLION AND EXPORTS OF ELECTRICAL APPLIANCES WERE UP OVER -00 PERCENT TO \$900,000.

5. THE IMPOSITION OF QUOTAS BY THE EEC HAS PROBABLY HURT EXPORT OF TURKISH TEXTILES. POWER OUTAGES AND SHORTAGES OF KEY INPUTS DUE TO THE LACK OF IMPORT FINANCING ALSO HAVE CONTRIBUTED TO LOWER MANUFACTURED EXPORTS; HOWEVER, THE BIGGEST

IMPEDIMENT TO RAPIDLY INCREASING MANUFACTURED EXPORTS IS THE ATTITUDE PREVALENT IN BOTH THE GOVERNMENT AND THE PRIVATE SECTOR THAT DOMESTIC DEMAND MUST FIRST BE SATISFIED, AND THEN ANY EXCESS PRODUCTION CAN BE EXPORTED. THIS ATTITUDE IS REINFORCED BY THAT FACT THAT SELLING IN THE DOMESTIC MARKET IS OFTEN MORE PROFITABLE THAN EXPORTING.

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6. THE GOVERNMENT GIVES LIP-SERVICE TO EXPORT PROMOTION AND HAS CREATED AN EXPORT COORDINATION BOARD AND A FUND TO SUPPORT EXPORTS, BUT FEW PRACTICAL INCENTIVES ARE CONTAINED IN THE GOVERNMENTS' EXPORT PROGRAM. IN FACT, THE GOVERNMENT IS TAXING EXISTING AGRICULTURAL EXPORTS TO FINANCE THE FUND IT HAS CREATED TO SPUR MANUFACTURED EXPORTS. FOR EXAMPLE, THE 30 PERCENT LIRA DEPRECIATION HAS NOT INCREASED THE RETURN TO COTTON EXPORTERS SINCE TWO-THIRDS OF THE INCREASE BETWEEN THE OLD AND NEW RATES OF EXCHANGE MUST BE TURNED OVER TO THE MINISTRY OF COMMERCE TO FINANCE THE EXPORT PROMOTION FUND,

WHOSE PURPOSES AS YET ARE UNDEFINED. ALTHOUGH THE EXPORTER
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KEEPS 1/3 OF THE INCREASE, HIS REAL RETURN IS THE SAME AS BEFORE
THE DEPRECIATION SINCE THE 10 PERCENT EXPORT SUBSIDY HAS BEEN
REMOVED. THIS PATTERN OF TAXING AGRICULTURAL EXPORTS TO SUBSIDIZE
POTENTIAL MANUFACTURED EXPORTS IS APPLIED TO OTHER MAJOR
EXPORT CROPS WITH SLIGHT VARIATIONS.

7. IMPORTS: AS CAN BE SEEN FROM THE TABLE IN PARA 1, IMPORTS
HAVE FLUCTUATED CONSIDERABLY FROM MONTH TO MONTH. THE MAIN
REASON FOR THESE PEAKS AND VALLEYS IS THE VARIANCE IN IMPORTS
OF CRUDE PETROLEUM. NO CRUDE OIL WAS IMPORTED IN JANUARY,
\$171 MILLION IN FEBRUARY AND ONLY \$23 MILLION IN MARCH. THE
FIRST QUARTER TOTAL OF \$194 MILLION REPRESENTS ABOUT A 13
PERCENT REDUCTION IN CRUDE IMPORTS COMPARED WITH 1977. IMPORT
VOLUME WAS DOWN ALMOST 20 PERCENT, HOWEVER. SINCE YEAR-END
STOCKS WERE RELATIVELY HIGH AND LARGE CRUDE IMPORTS PROBABLY
OCCURRED IN APRIL, FIRST QUARTER FIGURES MAY BE MISLEADING
ABOUT THE EXACT SIZE OF THE REDUCTION IN CRUDE IMPORTS. THERE
HAVE BEEN ISOLATED SHORTAGES OF GASOLINE IN SOME AREAS FOR
SHORT PERIODS OF TIME. HEAVY RAINFALL HAS ALLOWED FOR INCREASED
USE OF HYDRO-POWER; HOWEVER THERE APPEARS TO BE NO SIGNIFICANT
REDUCTION IN CONSUMPTION OF PETROLEUM PRODUCTS. THIS PARTLY
RESULTS FROM THE FACT THAT IMPORTS OF REFINED PETROLEUM PRODUCTS
ARE UP 23 PERCENT TO \$68 MILLION. CRUDE AND REFINED PETROLEUM
IMPORT TOGETHER ARE DOWN ONLY 5.5 PERCENT FROM 1977.

8. DECLINES IN OTHER KEY IMPORTS ARE MORE SIGNIFICANT.
FERTILIZER IMPORTS ARE DOWN 34 PERCENT BY VALUE AND 47 PERCENT
BY VOLUME TO \$34 MILLION AND 290,000 TONS RESPECTIVELY. FIRST
QUARTER IMPORTS IN 1977 TOTALED ALMOST 550,000 TONS. CHEMICAL
IMPORTS ARE DOWN 36 PERCENT, TO \$96 MILLION; MACHINERY DOWN
47 PERCENT TO \$110 MILLION; AND RUBBER AND PLASTICS DOWN 55
PERCENT TO \$26 MILLION.

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9. IMPORTS OF IRON AND STEEL, ONE OF THE GOVERNMENT'S PRIORITY
IMPORT CATEGORIES, ARE DOWN ONLY 16 PERCENT TO \$124 MILLION.
INDEED, IMPORTS OF IRON RODS FOR CONSTRUCTION ARE UP ALMOST
50 PERCENT.

10. IMPORTS OF RAW MATERIALS, INTERMEDIATE AND CAPITAL GOODS
FOR THE INDUSTRIAL SECTOR REACHED ABOUT \$4 BILLION IN 1977.
CURRENT IMPORTS OF THESE GOODS ARE ON AN ANNUAL RATE OF \$2.6

BILLION, A REDUCTION OF ABOUT 35 PERCENT. EVEN THOUGH MANY
MANUFACTURERS STOCKPILED KEY IMPORTED INPUTS LAST YEAR, MANY
HAVE BEEN DRAWING DOWN ON THESE STOCKPILES TO MAINTAIN
PRODUCTION. THE REDUCED LEVEL OF IMPORTED INPUTS IN THE FIRST
QUARTER OF 1978 WILL EVENTUALLY LOWER INDUSTRIAL PRODUCTION LATER
THIS YEAR. IT IS QUITE UNLIKELY THAT THE GOVERNMENT'S 1978
PLAN TO INCREASE INDUSTRIAL OUTPUT BY 8.8 PERCENT WILL BE
REACHED.
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